



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
OFFICE OF THE STATE BUDGET  
LANSING

MARY A. LANNOYE  
DIRECTOR

January 16, 2003

Dear Superintendent:

Pursuant to section 11(3) of the State School Aid Act, after being notified by the State Treasurer of insufficient funds to support the enacted State School Aid budget, I notified the legislature that payments to school districts will be prorated beginning with the March 2003 payment to reflect available revenues. The pro-rated reduction equals an estimated annualized 3.8% and will be applied to all spending categories, including the discretionary payment, except for those specifically protected by law. Spending categories protected by law include: Proposal A guarantee payments (1995 foundation levels), Headlee mandated special education and school lunch payments, Durant settlement payments, and federal grants. The overall reduction equates to a 1% reduction in the entire School Aid Budget. I have attached a proration estimate for your school district.

In addition, due to declining revenues forecast in the January Consensus Revenue Conference, the fiscal year 2004 school aid budget cannot be supported as enacted. Based upon the best data available at this time, it is estimated that available revenues are short by approximately \$365 million. Although I have not issued a pro-rata reduction notice to the Legislature for fiscal year 2004, any such notice would equate to an 11% reduction in spending categories not specifically protected by law. The Governor will address the 2004 School Aid Fund shortfall as part of her overall Executive Budget Recommendation to the Legislature in early March.

The Governor and I are willing to work with the Legislature on alternatives to the statutorily-required pro-rata reduction of the remaining fiscal year 2003 school aid payments to minimize the impact on school districts' foundation allowances; however under law, action must be taken within 30 calendar days or six session days, whichever is later, to prevent the pro-rata reduction.

Sincerely,

A handwritten signature in cursive script, reading "Mary A. Lannoye".

Mary A. Lannoye  
State Budget Director

attachment

cc: Governor Granholm  
Jay Rising, State Treasurer  
Tim Hughes, Executive Office  
Tom Watkins, Superintendent for Public Instruction  
Senator Ken Sikkema, Senate Majority Leader  
Senator Bob Emerson, Senate Minority Leader  
Representative Rick Johnson, Speaker of the House  
Representative Diane Byrum, House Minority Leader  
Senate Appropriations Committee  
House Appropriations Committee  
Senate Fiscal Agency  
House Fiscal Agency